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TAGS: [PGOV](#) [KDEM](#) [ECON](#) [EFIN](#) [EAGR](#) [MI](#)  
SUBJECT: BINGU PROMISES MORE ECONOMIC INTERVENTION AS  
PARLIAMENT OPENS

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¶1. (U) Summary: President Bingu wa Mutharika opened the 39th session of Parliament on April 4, marking the event by promising to "pre-announce" prices for agricultural goods later this year. The President also reiterated his intention to continue fertilizer and seed subsidies and to launch several new big-government economic plans. The three-week sitting of Parliament begins with government for the first time having the largest plurality (76 out of 193) of seats in Parliament. While most MPs assume this will enable government to pass a number of outstanding bills (including the Anti-Money Laundering Bill), the two opposition parties can still muster enough strength to block government on key votes. End summary.

#### More Government Intervention

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¶2. (SBU) Fresh from setting minimum prices for tobacco last week--a move that could still disrupt the market and the flow of foreign currency for Malawi--Mutharika opened the sitting by announcing that government will pre-announce the prices on certain crops before next year's growing season. Government has not yet provided details on the program; it may be that it intends only to provide production and pricing signals to the market (that is, crop estimates and forecasts of the price implications for those estimates). Many observers, though, believe that Mutharika is about to roll out price controls for all food commodities--a move he has hinted at when talking about maize. His determination to set minimum tobacco prices indicates that this is a likely direction for future government intervention.

¶3. (SBU) Mutharika made a point of taking credit for a coming "bumper crop"--thanks to his massive importation and subsidy of fertilizer--and for "successfully" keeping the price of ADMARC maize at MK850 (\$6.34) per 50 kg bag. (In fact, while the fertilizer subsidy does deserve some credit for a good harvest, above-average rainfall has had a bigger influence. The subsidized maize prices, on the other hand, slowed private imports and are likely the cause for this year's record-high maize prices and widespread shortages on the commercial market.) Mutharika also promised more big-government economic solutions to come: government establishment of "rural factories," large- and small-scale irrigation projects, revitalization of statutory corporations (with no mention of privatization), construction of the Shire-Zambezi waterway (a presidential pet project of unknown

economic viability), continuation of an emergency public-works program, a new development bank, and a new science and technology university in Lilongwe.

#### Bingu Gaining Ground In The House

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¶4. (U) The President's Democratic Progressive Party (DPP) currently has 78 parliamentarians working with them, almost double the number they had when Parliament last met in October 2005. The DPP has gained seats by a combination of poaching MPs from other parties, convincing independents and small parties to join them, and winning all six seats in December's by-election. The DPP has now eclipsed the opposition Malawi Congress Party (57 seats) to become the largest party in Parliament, though they are still short of the 96 seats needed for an outright majority.

Comment: House Back to Work, but Concerns about Policy

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¶5. (SBU) On a purely political level, the new strength of the DPP makes it more likely that Parliament will actually be able to accomplish its modest goals for the sitting, which center on passing bills that have been neglected for several politics-choked sessions. The DPP should be able to gain a working majority on most issues, though it still might struggle to do so on more contentious issues.

¶6. (SBU) Mutharika's emphasis on state-driven economic solutions, however, is increasingly worrying. During this speech, there was scant mention of improving the business climate for private investment, but plenty of new programs for the state. At this point, it is difficult to discern real policy direction from the usual presidential rhetoric on these occasions (which leans toward taking credit for rain and sunshine). On top of that, the GOM's ability to execute

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on ambitious policy is limited at best. In any case, it looks as if Mutharika is swinging in a populist direction, which will do away with the debate surrounding unpopular economic reform.

GILMOUR